

ANNABELLA TOWN
FINANCIAL STATEMENTS
JUNE 30, 2006

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET ASSETS	15
STATEMENT OF ACTIVITIES	16
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET	17
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS	18
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	19
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	20
STATEMENT OF NET ASSETS - PROPRIETARY FUND	21
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	22
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	23
NOTES TO FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
BUDGETARY COMPARISON SCHEDULES:	
GENERAL FUND	40
NOTE A - BUDGETARY COMPARISON SCHEDULE BUDGET-TO-GAAP RECONCILIATION	42
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	44
AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE	46

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Annabella Town
Annabella, Utah 84711

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Annabella Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Annabella Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Annabella Town as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2006, on our consideration of Annabella Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2006
Richfield, Utah

ANNABELLA TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

This discussion of Annabella Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and public improvements and parks and recreation.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$2,091,804 (net assets). Of this amount, \$177,585 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$461,264. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, the Town's governmental funds reported ending fund balances of \$140,404, an increase of \$1,400 in comparison with the prior year. Approximately 80 percent of this total amount, \$112,855, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$112,343, or 69 percent of total general fund expenditures.
- * The Town's total debt increased by \$25,443 during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Annabella Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public health, highways and public improvements and parks and recreation. The business-type activity of the Town is the enterprise fund, containing water, electric and garbage services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Annabella Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Annabella Town maintains two governmental funds, the general fund, which is always a major fund and the cemetery perpetual care fund, which is a permanent governmental fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Annabella Town maintains three types of proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water, electric and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water, electric and garbage enterprise funds are considered major funds of the Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Annabella Town, assets exceeded liabilities by \$2,091,804 at the close of the most recent fiscal year.

By far the largest portion of the Town's net assets (85 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Annabella Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	152,632	161,283	193,637	137,825	346,269	299,108
Capital Assets	527,454	185,284	1,727,947	1,687,506	2,255,401	1,872,790
Total Assets	680,086	346,567	1,921,584	1,825,331	2,601,670	2,171,898
Long-Term Liabilities	-	-	465,570	487,320	465,570	487,320
Other Liabilities	12,228	22,279	32,068	31,759	44,296	54,038
Total Liabilities	12,228	22,279	497,638	519,079	509,866	541,358
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	527,454	185,284	1,240,816	1,174,932	1,768,270	1,360,216
Restricted	27,549	21,344	118,400	84,288	145,949	105,632
Unrestricted	112,855	117,660	64,730	47,032	177,585	164,692
Total Net Assets	667,858	324,288	1,423,946	1,306,252	2,091,804	1,630,540

A portion of the Town's net assets (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$177,585, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the Town's net assets by \$343,570. Key elements of this decrease follows:

Annabella Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	66,789	42,884	119,803	110,439	186,592	153,323
Operating Grants	33,669	27,507	-	-	33,669	27,507
Capital Grants	-	-	80,000	2,240	80,000	2,240
General Revenues:						
Property Taxes	17,456	15,965	-	-	17,456	15,965
Other Taxes	61,654	56,438	-	-	61,654	56,438
Contributions	320,000	-	-	-	320,000	-
Impact Fees	-	-	40,400	4,800	40,400	4,800
Unrestricted Investment Earnings	6,305	4,239	5,932	2,500	12,237	6,739
Total Revenues	505,873	147,033	246,135	119,979	752,008	267,012
Expenses:						
General Government	44,028	45,674	107,885	124,867	151,913	170,541
Public Safety	37,091	59,411	-	-	37,091	59,411
Highways & Streets	45,143	28,487	-	-	45,143	28,487
Parks and Recreation	36,041	15,397	-	-	36,041	15,397
Interest on Debt	-	-	20,556	-	20,556	-
Total Expenses	162,303	148,969	128,441	124,867	290,744	273,836
Increase (Decrease) in Net Assets Before Transfers	343,570	(1,936)	117,694	(4,888)	461,264	(6,824)
Transfers	-	-	-	-	-	-
Increase in Net Assets	343,570	(1,936)	117,694	(4,888)	461,264	(6,824)
Net Assets - Beginning	324,288	326,224	1,306,252	1,311,140	1,630,540	1,637,364
Net Assets - Ending	667,858	324,288	1,423,946	1,306,252	2,091,804	1,630,540

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the Town's net assets by \$117,694. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental funds reported ending fund balance of \$140,404 an increase of \$1,400 in comparison with the prior year. Approximately 80 percent of this amount, \$112,855 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed:

1) perpetual care, \$27,549.

The general fund is the chief operating fund of the Town. At the end of the current year, unreserved fund balance of the general fund was \$112,343, while total fund balance reached \$112,343. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 69 percent of total general fund expenditures, while total fund balance represents 69 percent of that same amount.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the enterprise fund at the end of the year was \$177,585. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

Of the total general fund expenditures, \$0 was funded out of prior year's unreserved fund balance.

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$527,454 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, and highways. The total increase in the Town's investment in capital assets for the current year was \$352,884.

The capital asset additions during the current year included the following:

* Land Related to Infrastructure	\$ 200,000
2006 Ford Truck	24,884
Road Infrastructure	120,000
Street Lights	8,000

The Town's investment in capital assets for its business-type activities as of June 30, 2006, was \$1,727,947 (net of accumulated depreciation). This investment in capital assets includes water and electrical systems, buildings, and equipment. The total increase in the business-type assets for the current year was \$80,000. The major additions during the year were:

* Utility Water System	\$ 80,000
------------------------	-----------

Annabella Town's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	220,000	20,000	238,380	238,380	458,380	258,380
Infrastructure	169,307	-	-	-	169,307	-
Buildings	91,562	141,988	24,049	24,907	115,611	166,895
Improvements Other than Buildings	-	-	1,465,347	1,423,877	1,465,347	1,423,877
Equipment	46,585	23,296	171	342	46,756	23,638
Total	<u>527,454</u>	<u>185,284</u>	<u>1,727,947</u>	<u>1,687,506</u>	<u>2,255,401</u>	<u>1,872,790</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town had revenue bonds outstanding of \$38,224.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2005	2004
Long-Term Debt	-	-	487,131	512,574	487,131	512,574

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

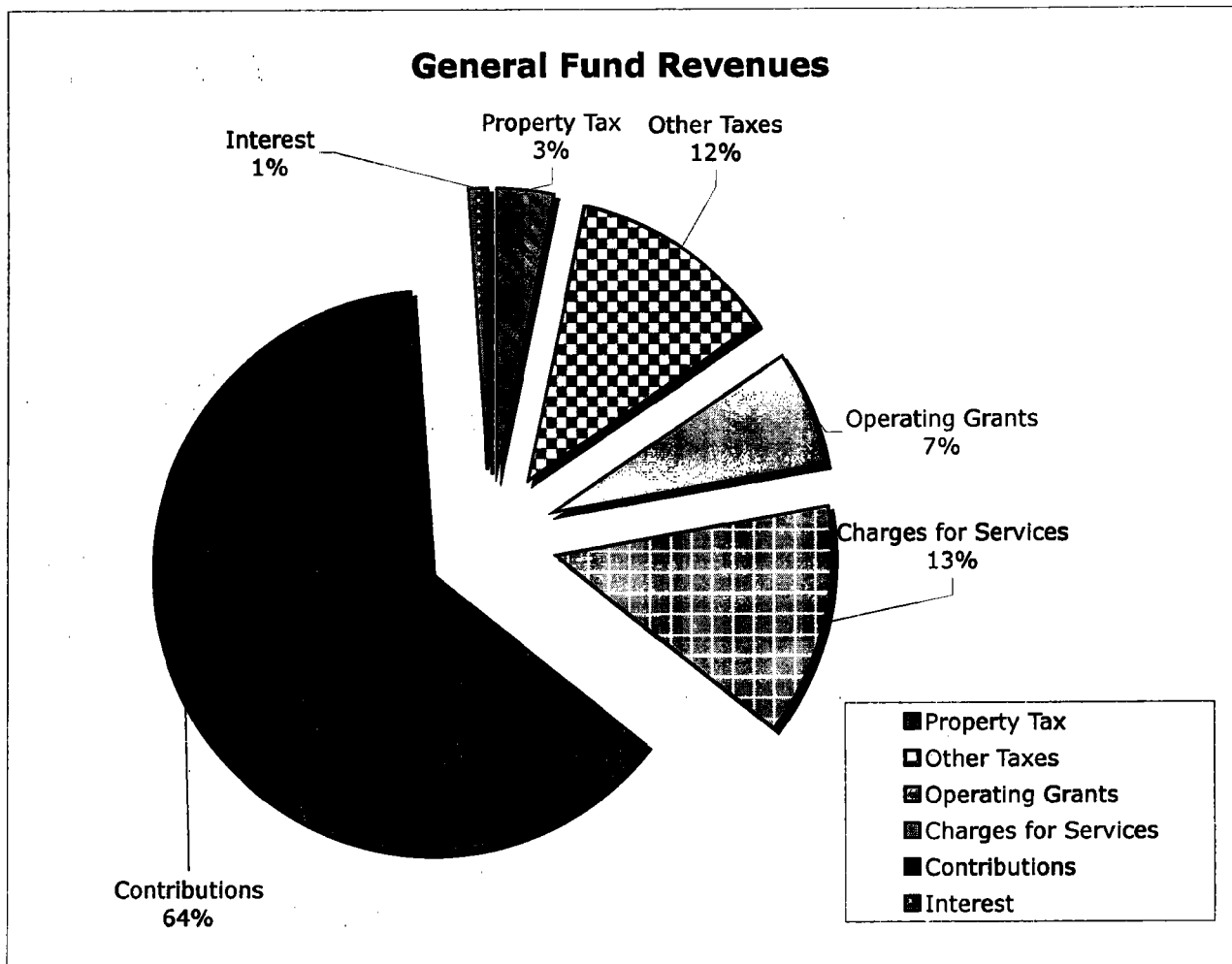
Additional information on the Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Annabella Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Annabella Town Treasurer, P.O. Box 88, Annabella, Utah, 84644.

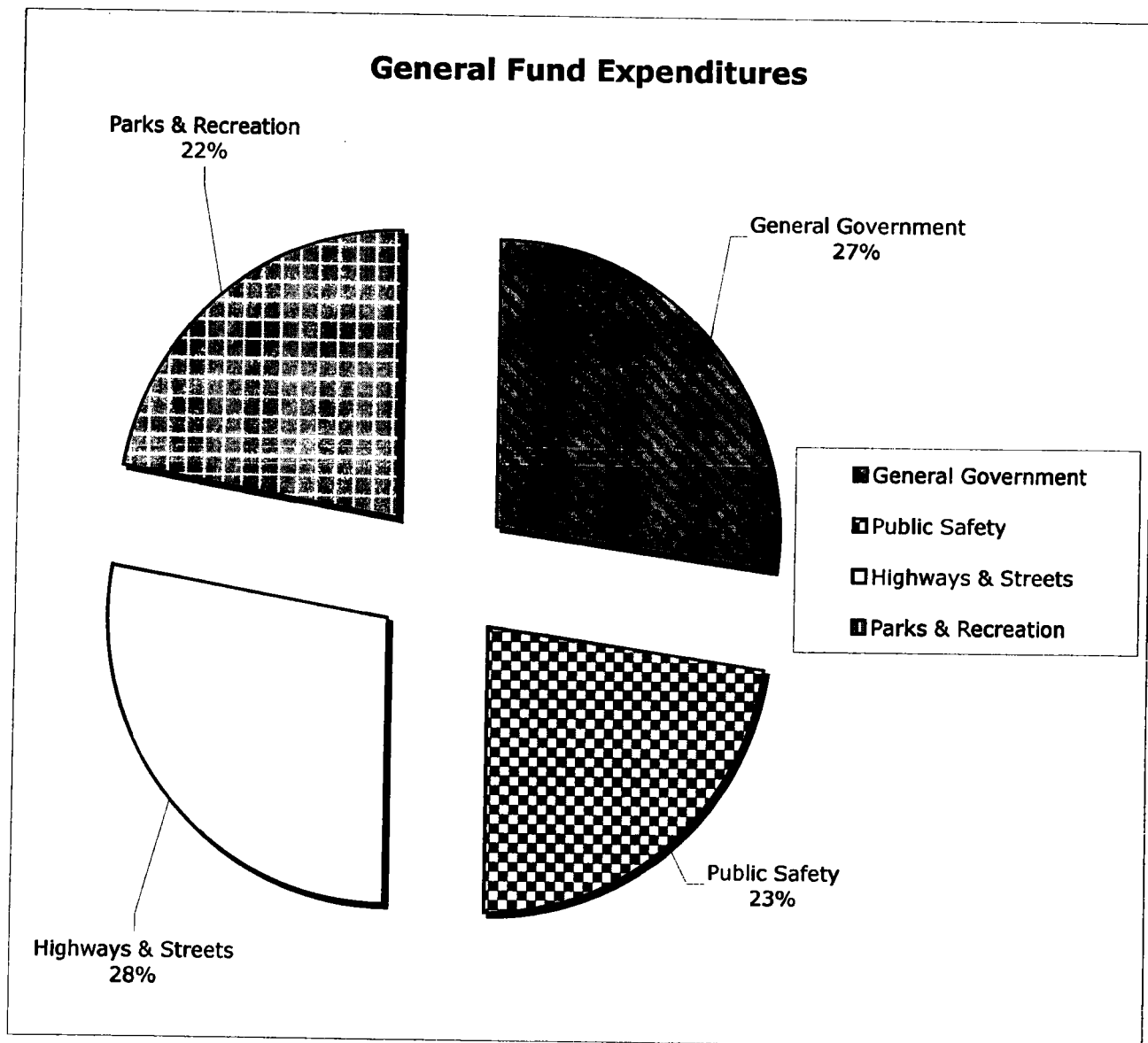
**Annabella Town
General Fund Revenues
For The Fiscal Year Ended June 30, 2006**

Property Tax	17,456
Other Taxes	61,654
Operating Grants	33,669
Charges for Services	66,789
Contributions	320,000
Interest	6,305
	<hr/>
Total	<u>505,873</u>



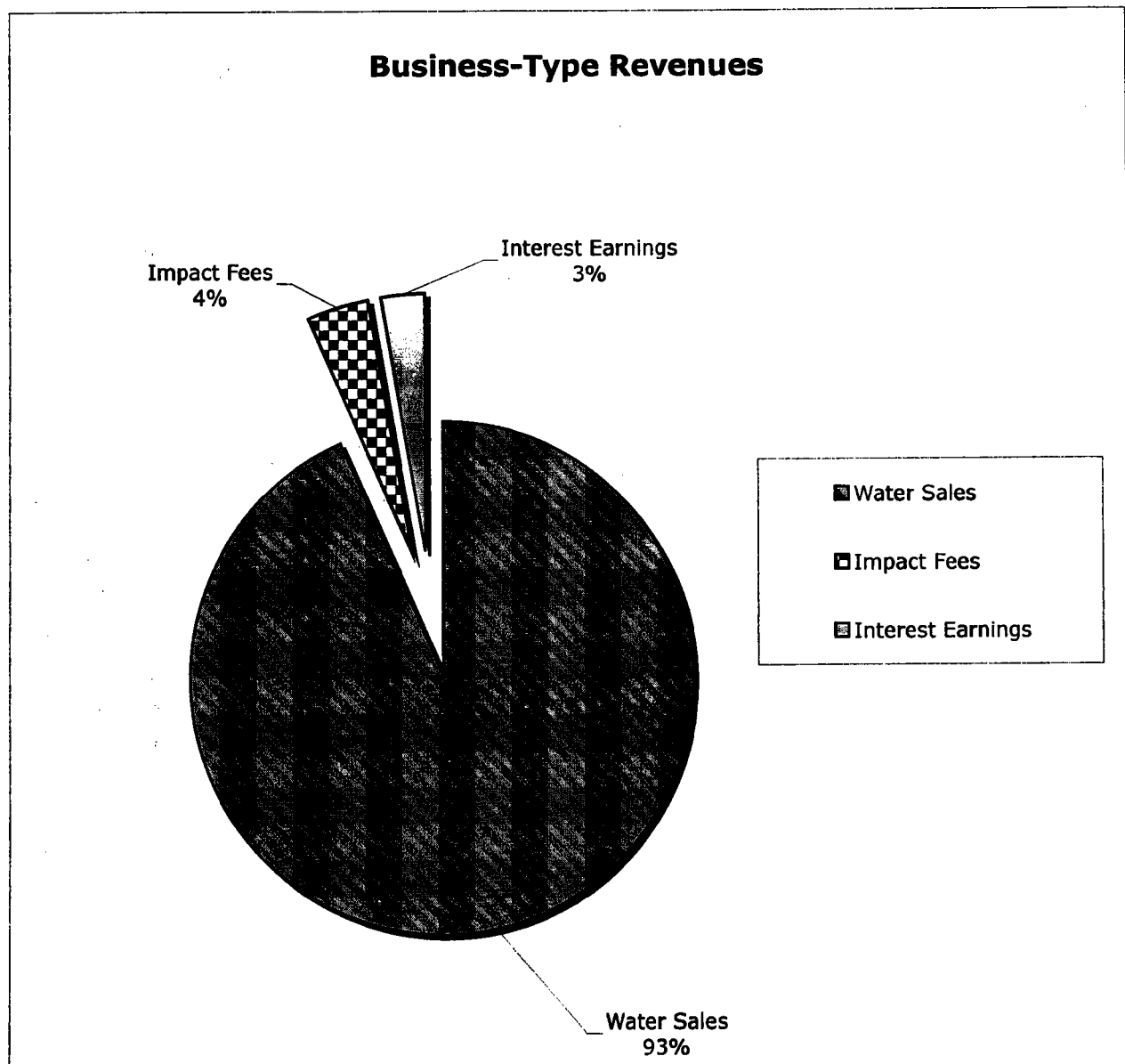
**Annabella Town
General Fund Expenditures
For The Fiscal Year Ended June 30, 2006**

General Government	44,028
Public Safety	37,091
Highways & Streets	45,143
Parks & Recreation	<u>36,041</u>
Total	<u>162,303</u>



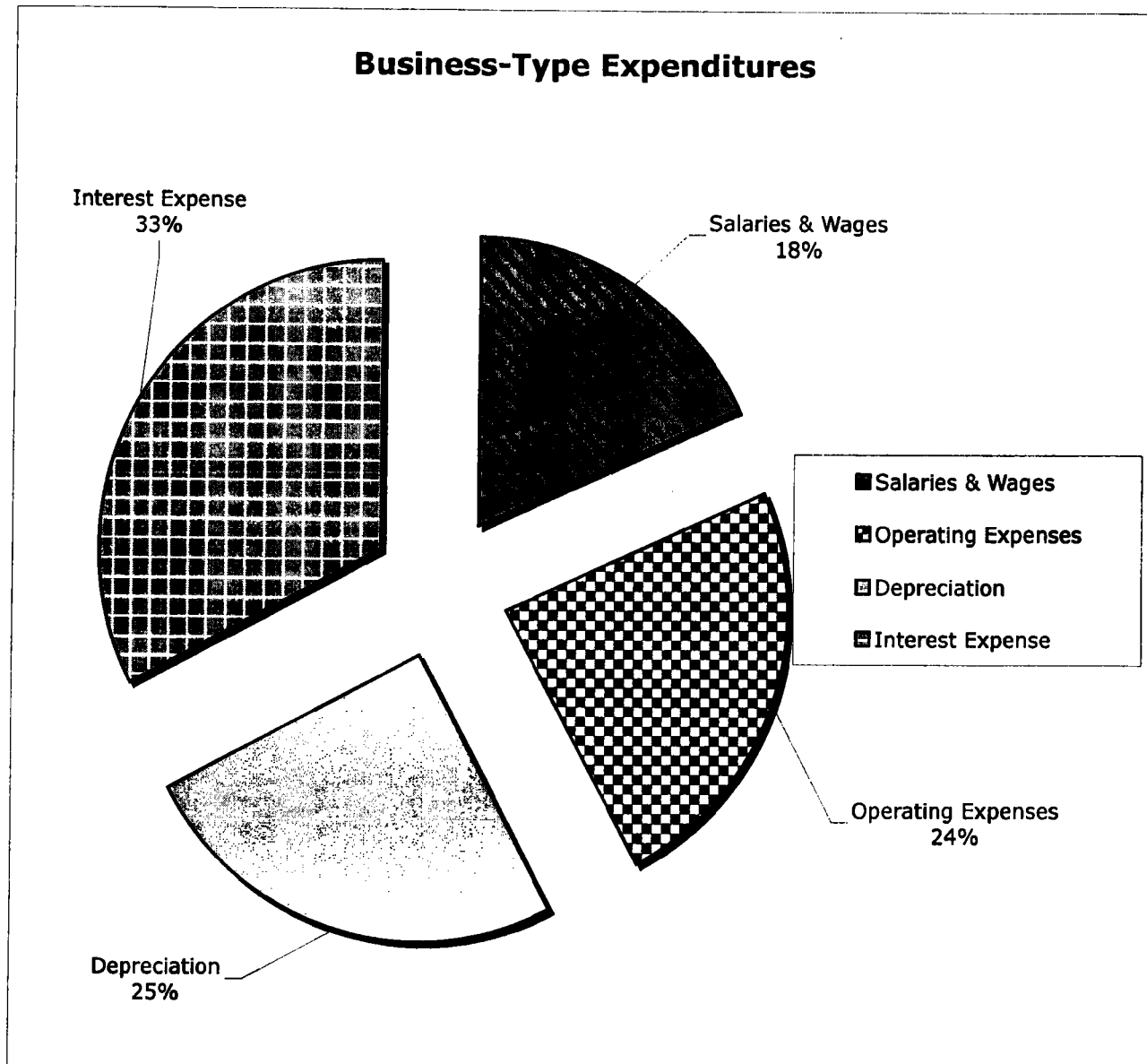
**Annabella Town
Business -Type Revenues
For The Fiscal Year Ended June 30, 2006**

Water Sales	47,198
Impact Fees	2,000
Interest Earnings	<u>1,345</u>
Total	<u><u>50,543</u></u>



**Annabella Town
Business-Type Expenditures
For The Fiscal Year Ended June 30, 2006**

Salaries & Wages	29,470
Operating Expenses	38,225
Depreciation	40,190
Interest Expense	<u>52,873</u>
Total	<u><u>160,758</u></u>



(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**ANNABELLA TOWN
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	142,360	142,486	284,846
Accounts Receivable (Net)	4,258	10,151	14,409
Due From Other Government Units	6,014	-	6,014
Total Current Assets	152,632	152,637	305,269
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	41,000	41,000
Capital Assets (Net of Accumulated Depreciation):			
Land and Water Rights	220,000	238,380	458,380
Buildings	91,562	-	91,562
Equipment	46,585	-	46,585
Water System	-	1,489,567	1,489,567
Infrastructure	169,307	-	169,307
Total Noncurrent Assets	527,454	1,768,947	2,296,401
TOTAL ASSETS	680,086	1,921,584	2,601,670
LIABILITIES			
Current Liabilities:			
Accounts Payable	12,228	3,942	16,170
Deposits Payable	-	2,900	2,900
Bond Interest Payable	-	3,665	3,665
Revenue Bonds Payable - Due Within One Year	-	21,561	21,561
Total Current Liabilities	12,228	32,068	44,296
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	465,570	465,570
TOTAL LIABILITIES	12,228	497,638	509,866
NET ASSETS			
Investment in Capital Assets, Net of Debt	527,454	1,240,816	1,768,270
Restricted For:			
Bond Retirement	-	41,000	41,000
Impact Fees	-	77,400	77,400
Perpetual Care	27,549	-	27,549
Unrestricted	112,855	64,730	177,585
TOTAL NET ASSETS	667,858	1,423,946	2,091,804
TOTAL LIABILITIES AND NET ASSETS	680,086	1,921,584	2,601,670

The notes to the financial statements are an integral part of this statement.

**ANNABELLA TOWN
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government:	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Operating Grants/Services	Capital Grants/Contributions	Governmental Activities	Business-Type Activities	Total
		Contributions	Contributions			
Governmental Activities:						
General Government	44,028	30,820	232	(12,976)	-	(12,976)
Public Health	37,091	35,669	-	(1,422)	-	(1,422)
Streets and Public Improvements	45,143	-	33,437	(11,706)	-	(11,706)
Culture and Recreation	36,041	300	-	(35,741)	-	(35,741)
Total Governmental Activities	162,303	66,789	33,669	(61,845)	-	(61,845)
Business-Type Activities:						
Water Fund	89,591	72,605	-	-	63,014	63,014
Irrigation Fund	38,850	47,198	-	-	8,348	8,348
Total Business-Type Activities	128,441	119,803	-	-	71,362	71,362
Total Primary Government	290,744	186,592	33,669	(61,845)	71,362	9,517
General Revenues:						
Property Taxes				17,456	-	17,456
Sales Taxes				56,022	-	56,022
Fee-In-Lieu of Taxes				5,632	-	5,632
Connection Fees				-	40,400	40,400
Impact Fees				320,000	-	320,000
Unrestricted Investment Earnings				6,305	5,932	12,237
Total General Revenues and Transfers				405,415	46,332	451,747
Change in Net Assets				343,570	117,694	461,264
Net Assets - Beginning				324,288	1,306,252	1,630,540
Net Assets - Ending				667,858	1,423,946	2,091,804

The notes to the financial statements are an integral part of this statement.

**ANNABELLA TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Non-Major Perpetual Care Permanent Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	112,615	2,196	27,549	142,360
Accounts Receivable (Net)	4,258	-	-	4,258
Due From Other Government Units	6,014	-	-	6,014
TOTAL ASSETS	<u>122,887</u>	<u>2,196</u>	<u>27,549</u>	<u>152,632</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	10,544	1,684	-	12,228
Total Liabilities	<u>10,544</u>	<u>1,684</u>	<u>-</u>	<u>12,228</u>
Fund Balances:				
Reserved For:				
Perpetual Care	-	-	27,549	27,549
Unreserved, Reported In:				
General Fund	112,343	-	-	112,343
Capital Project Fund	-	512	-	512
Total Fund Balance	<u>112,343</u>	<u>512</u>	<u>27,549</u>	<u>140,404</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>122,887</u>	<u>2,196</u>	<u>27,549</u>	<u>152,632</u>

The notes to the financial statements are an integral part of this statement.

ANNABELLA TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	140,404
---	---------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land and Water Rights	220,000
Buildings	91,562
Equipment	46,585
Infrastructure	<u>169,307</u>

Total	<u>527,454</u>
-------	----------------

Net Assets of Government Activities	<u><u>667,858</u></u>
-------------------------------------	-----------------------

ANNABELLA TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Capital Projects Fund	Non-Major Perpetual Care Permanent Fund	Total Governmental Funds
Revenues:				
Taxes	79,110		-	79,110
Licenses and Permits	2,570	-	-	2,570
Intergovernmental Revenue	33,669	-	-	33,669
Charges for Services	35,969	-	-	35,969
Interest	4,821	1,484	-	6,305
Miscellaneous Revenues	28,250	-	-	28,250
Total Revenues	<u>184,389</u>	<u>1,484</u>	<u>-</u>	<u>185,873</u>
Expenditures:				
Current:				
General Government	42,033	-	-	42,033
Public Health	37,091	-	-	37,091
Streets and Public Improvements	36,424	-	-	36,424
Parks and Recreation	21,725	14,316	-	36,041
Capital Outlay	24,884	8,000	-	32,884
Total Expenditures	<u>162,157</u>	<u>22,316</u>	<u>-</u>	<u>184,473</u>
Net Change In Fund Balance	22,232	(20,832)	-	1,400
Fund Balance - Beginning	<u>90,111</u>	<u>21,344</u>	<u>27,549</u>	<u>139,004</u>
Fund Balance - Ending	<u><u>112,343</u></u>	<u><u>512</u></u>	<u><u>27,549</u></u>	<u><u>140,404</u></u>

The notes to the financial statements are an integral part of this statement.

ANNABELLA TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	1,400
---	-------

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	32,884	
Contribution to Infrastructure	320,000	
Depreciation Expense	<u>(10,714)</u>	
 Total		 <u>342,170</u>

Changes In Net Assets of Governmental Activities	<u>343,570</u>
--	----------------

**ANNABELLA TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity		
	Enterprise Fund		
	Water Fund	Irrigation Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	42,629	99,857	142,486
Accounts Receivable	6,056	4,095	10,151
Total Current Assets	48,685	103,952	152,637
Noncurrent Assets:			
Investments - Restricted:			
Bond Retirement	26,000	15,000	41,000
Capital Assets: (Net of Accum. Depr.)			
Land and Water Rights	90,550	147,830	238,380
Improvements Other Than Buildings	1,183,463	306,104	1,489,567
Total Noncurrent Assets	1,300,013	468,934	1,768,947
TOTAL ASSETS	1,348,698	572,886	1,921,584
LIABILITIES:			
Current Liabilities:			
Accounts Payable	1,817	2,125	3,942
Customer Deposits	2,900	-	2,900
Bond Interest Payable	1,125	2,540	3,665
Bonds Payable - Current Portion	11,561	10,000	21,561
Total Current Liabilities	17,403	14,665	32,068
Noncurrent Liabilities:			
Bonds Payable - Long-Term Portion	328,570	137,000	465,570
TOTAL LIABILITIES	345,973	151,665	497,638
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	933,882	306,934	1,240,816
Restricted for:			
Bonded Retirement	26,000	15,000	41,000
Impact Fees	58,267	19,133	77,400
Unrestricted	(15,424)	80,154	64,730
TOTAL NET ASSETS	1,002,725	421,221	1,423,946
TOTAL LIABILITIES AND NET ASSETS	1,348,698	572,886	1,921,584

The notes to the financial statements are an integral part of this statement.

ANNABELLA TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2006

	Business-Type Activity Enterprise Fund		
	Water Fund	Irrigation Fund	Totals
Operating Revenues:			
Charges for Sales and Services:			
Water	72,605	-	72,605
Irrigation	-	47,198	47,198
Total Operating Revenues	<u>72,605</u>	<u>47,198</u>	<u>119,803</u>
Operating Expenses:			
Salaries and Wages	13,358	16,112	29,470
Material and Supplies	17,168	833	18,001
Contracted Services	1,687	7,489	9,176
Insurance	6,868	-	6,868
Other	4,086	94	4,180
Depreciation	31,155	9,035	40,190
Total Operating Expenses	<u>74,322</u>	<u>33,563</u>	<u>107,885</u>
Operating Income	<u>(1,717)</u>	<u>13,635</u>	<u>11,918</u>
Nonoperating Revenues (Expenses):			
Investment Earnings	4,593	1,345	5,938
Impact Fees	38,400	2,000	40,400
Contribution from Developer	80,000	-	80,000
Interest Expense	(15,269)	(5,287)	(20,556)
Total Nonoperating Revenues (Expenses)	<u>107,724</u>	<u>(1,942)</u>	<u>105,782</u>
Change in Net Assets	106,007	11,693	117,700
Total Net Assets - Beginning	<u>896,718</u>	<u>409,528</u>	<u>1,306,246</u>
Total Net Assets - Ending	<u><u>1,002,725</u></u>	<u><u>421,221</u></u>	<u><u>1,423,946</u></u>

The notes to the financial statements are an integral part of this statement.

**ANNABELLA TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Business-Type Activity - Enterprise Fund</u>		
	<u>Water Fund</u>	<u>Irrigation Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities:			
Receipts From Customers	72,072	47,459	119,531
Payments to Suppliers	(26,516)	(7,419)	(33,935)
Payments to Employees	(13,358)	(16,112)	(29,470)
Net Cash Provided by Operating Activities	<u>32,198</u>	<u>23,928</u>	<u>56,126</u>
Cash Flows From Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(15,443)	(10,000)	(25,443)
Interest Paid on Capital Debt	(15,352)	(6,129)	(21,481)
Connection Fees	(80,000)	-	(80,000)
Impact Fees Fees	38,400	2,000	40,400
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(72,395)</u>	<u>(14,129)</u>	<u>(86,524)</u>
Cash Flows from Investing Activities:			
Interest Received	4,593	1,345	5,938
Federal and State Grants	80,000	-	80,000
Net Cash Provided (Used) by Investing Activities	<u>84,593</u>	<u>1,345</u>	<u>85,938</u>
Net Increase (Decrease) in Cash and Cash Equivalents	44,396	11,144	55,540
Cash and Cash Equivalents - Beginning	24,233	103,713	127,946
Cash and Cash Equivalents - Ending	<u>68,629</u>	<u>114,857</u>	<u>183,486</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:			
Operating Income	(1,717)	13,635	11,918
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:			
Depreciation	31,155	9,035	40,190
Increase (Decrease) in Operating Assets:			
Accounts Receivable	(533)	261	(272)
Accounts Payable	1,179	1,486	2,665
Deposits Payable	2,114	(489)	1,625
Total Adjustments	<u>33,915</u>	<u>10,293</u>	<u>44,208</u>
Net Cash Provided (Used) by Operating Activities	<u>32,198</u>	<u>23,928</u>	<u>56,126</u>

The notes to the financial statements are an integral part of this statement.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Annabella Town conform to accounting principles generally accepted in the United States of America principles as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Annabella Town is a municipal corporation in Sevier County, Utah. It is governed by an elected mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Annabella Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Annabella Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The Government also reports the following Other Governmental Funds:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water and irrigation operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal operating revenues of the water and irrigation funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

**ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements Other Than Buildings	20 Years
Equipment	5 Years

Compensated Absences:

The Town has a policy which allows employees to accumulate vacation pay. The Town allows vacation days to accumulate up to a maximum of 14 days for full time employees and 7 days for part-time employees, payable at termination.

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Property Taxes

Property taxes are assessed and collected for the Town by Sevier County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

G. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

The Town's carrying amount of bank deposits at June 30, 2006, was \$15,491 and the bank balance was \$15,874. All of this amount was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	15,491
Investments - PTIF	<u>310,355</u>
Total Cash and Investments	<u>325,846</u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	142,360
Business-Type Activities - Unrestricted	142,486
Business-Type Activities - Restricted	<u>41,000</u>
Total Cash and Cash Equivalents	<u>325,846</u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$15,874 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$310,355 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

Bond covenants require that the Town contribute monthly to a "General Sinking Fund" which is used to make annual payments of principal and interest. The covenants also require that a "Bond Reserve Fund" be maintained.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	20,000	-	-	20,000
Land Under Roads	-	200,000	-	200,000
Total Capital Assets Not Being Depreciated	20,000	200,000	-	220,000
Capital Assets Being Depreciated:				
Buildings	203,470	-	-	203,470
Machinery and Equipment	77,653	24,884	-	102,537
Infrastructure	54,372	128,000	-	182,372
Total Capital Assets Being Depreciated	335,495	152,884	-	488,379
Less Accumulated Depreciation For:				
Buildings	111,908	-	-	111,908
Machinery and Equipment	54,357	1,595	-	55,952
Infrastructure	3,946	9,119	-	13,065
Total Accumulated Depreciation	170,211	10,714	-	180,925
Total Capital Assets Being Depreciated (Net)	165,284	142,170	-	307,454
Governmental Activities Capital Assets, Net	185,284	342,170	-	527,454

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>238,380</u>	<u>-</u>	<u>-</u>	<u>238,380</u>
Total Capital Assets Not Being Depreciated	<u>238,380</u>	<u>-</u>	<u>-</u>	<u>238,380</u>
Capital Assets Being Depreciated:				
Buildings	<u>34,307</u>	<u>-</u>	<u>-</u>	<u>34,307</u>
Utility Systems	<u>1,857,362</u>	<u>80,000</u>	<u>-</u>	<u>1,937,362</u>
Machinery and Equipment	<u>14,132</u>	<u>-</u>	<u>-</u>	<u>14,132</u>
Total Capital Assets Not Being Depreciated	<u>1,905,801</u>	<u>80,000</u>	<u>-</u>	<u>1,985,801</u>
Less Accumulated Depreciation For:				
Buildings	<u>9,400</u>	<u>858</u>		<u>10,258</u>
Utility Systems	<u>433,485</u>	<u>39,161</u>		<u>472,646</u>
Machinery and Equipment	<u>13,159</u>	<u>171</u>		<u>13,330</u>
Total Accumulated Depreciation	<u>456,044</u>	<u>40,190</u>	<u>-</u>	<u>496,234</u>
Total Capital Assets Being Depreciated (Net)	<u>1,449,757</u>	<u>39,810</u>	<u>-</u>	<u>1,489,567</u>
Business Type Activities Capital Assets, Net	<u>1,688,137</u>	<u>39,810</u>	<u>-</u>	<u>1,727,947</u>
Total Capital Assets	<u>1,873,421</u>	<u>381,980</u>	<u>-</u>	<u>2,255,401</u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,995	-	1,995
Public Health	-	40,190	40,190
Highways and Public Improvements	<u>8,719</u>	<u>-</u>	<u>8,719</u>
Total Depreciation Expense	<u>10,714</u>	<u>40,190</u>	<u>50,904</u>

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG-TERM DEBT

Water Revenue Bond Series 2001:

During 2001 the Town issued Water Revenue Bonds in the amount of \$130,000 for the purpose of upgrading the Town's water system. The bonds require monthly payments of \$632 with interest at 5%. The balance at June 30, 2006 was \$50,263.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4,819	2,765	7,584
2008	5,253	2,331	7,584
2009	5,521	2,063	7,584
2010	5,804	1,780	7,584
2011	6,101	1,483	7,584
2012-2016	<u>22,765</u>	<u>25,614</u>	<u>48,379</u>
Total	<u><u>50,263</u></u>	<u><u>36,036</u></u>	<u><u>86,299</u></u>

Irrigation Revenue Bond Series 1992:

During 1992 the Town issued Irrigation Revenue Bonds in the amount of \$250,000 for the purpose of upgrading the Town's irrigation system. The bonds require yearly payments with interest at 3.5%. The balance at June 30, 2006 was \$147,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	10,000	5,145	15,145
2008	10,000	4,795	14,795
2009	11,000	4,445	15,445
2010	11,000	4,060	15,060
2011	12,000	3,675	15,675
2012-2016	64,000	11,970	75,970
2017-2021	<u>29,000</u>	<u>1,540</u>	<u>30,540</u>
Total	<u><u>147,000</u></u>	<u><u>35,630</u></u>	<u><u>182,630</u></u>

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Parity Water Revenue Bond Series 1999A:

During 1999 the Town issued 1999A Parity Water Revenue Bonds in the amount of \$100,000 for the purpose of upgrading the Town's water system. The bonds require yearly payments with interest at 2.94%. The balance at June 30, 2006 was \$76,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4,000	2,234	6,234
2008	5,000	2,117	7,117
2009	5,000	1,970	6,970
2010	5,000	1,823	6,823
2011	5,000	1,676	6,676
2012-2016	27,000	6,145	33,145
2017-2021	25,000	1,882	26,882
Total	<u>76,000</u>	<u>17,847</u>	<u>93,847</u>

Parity Water Revenue Bond Series 1999B:

During 1999 the Town issued 1999B Parity Water Revenue Bonds in the amount of \$228,000. The bonds require yearly payments with interest at 4.73%. The balance at June 30, 2006 was \$213,868.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2,742	10,112	12,854
2008	2,886	9,978	12,864
2009	3,026	9,838	12,864
2010	3,173	9,691	12,864
2011	3,327	9,537	12,864
2012-2016	19,217	45,103	64,320
2017-2021	24,359	39,961	64,320
2022-2026	30,875	33,445	64,320
2027-2031	39,131	25,189	64,320
2032-2036	49,598	14,722	64,320
2037-2041	35,534	3,047	38,581
Total	<u>213,868</u>	<u>210,623</u>	<u>424,491</u>

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - REVENUE BONDS PAYABLE

The following is a schedule of changes in bonds payable:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Water Revenue Bonds - Series 2001	2001	0%	130,000	55,195	-	4,932	50,263
Irrigation Revenue Bonds - Series 1992	1992	0%	250,000	157,000	-	10,000	147,000
Water Revenue Bonds - Series 1996	1996	0%	35,000	3,876	-	3,876	-
Parity Water Revenue Bond - Series 1999A	1999	0%	100,000	80,000	-	4,000	76,000
Parity Water Revenue Bond - Series 1999B	1999	0%	228,000	216,503	-	2,635	213,868
Total			743,000	512,574	-	25,443	487,131

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a summary of utility long-term debt to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	21,561	20,256	41,817
2008	23,139	19,221	42,360
2009	24,547	18,316	42,863
2010	24,977	17,354	42,331
2011	26,428	16,371	42,799
2012-2016	132,982	65,832	198,814
2017-2021	78,359	43,383	121,742
2022-2026	30,875	33,445	64,320
2027-2031	39,131	25,189	64,320
2032-2036	49,598	14,722	64,320
2037-2041	35,534	3,047	38,581
Total	<u>487,131</u>	<u>277,136</u>	<u>764,267</u>

NOTE 6 - PERPETUAL CARE FUND

The following is a schedule of receipts and disbursements in the Perpetual Care Fund:

Fund Balance - Beginning of Year	27,549
Receipts	-
Disbursements	-
Fund Balance - End of Year	<u>27,549</u>

NOTE 7 - CLASS C ROADS

The following is a schedule of receipts and disbursements in Class C Roads:

Fund Balance - Beginning of Year	-
Receipts:	
State of Utah	33,437
Interest	<u>1,120</u>
Total Receipts	34,557
Disbursements:	
Maintenance	<u>(34,557)</u>
Fund Balance - End of Year	<u>-</u>

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 8 - IMPACT FEES

In August of 2004, Annabella Town adopted a water and irrigation impact Fee ordinance to encourage the orderly growth and development of the Town. The impact fees, calculated as an expression of new equivalent residential connection, imposed as a condition precedent to a water connection is used to offset the proportionate impact of the development activity.

The impact fees for water are \$2,400 and impact fees for irrigation are \$2,000.

The Town is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for a system or other expenditures allowed by law. These funds must be expended within six years from receipt or refunded with interest to the payer.

The total impact fees and interest collected through June 30, 2006, were \$158,400. Expenditures to date totaled \$81,000. The balance at year end was \$77,400.

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Town participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The Town is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 - PENSION PLAN

Local Governmental - Cost Sharing:

Plan Description:

Annabella Town contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

ANNABELLA TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2006

NOTE 10 - PENSION PLAN (CONTINUED)

The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy:

Annabella Town is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Annabella Town contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$3,127.44, \$3,127.44 and \$2,712.84. The contributions were equal to the required contributions for each year.

(This page contains no information and
is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**ANNABELLA TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2005	<u>90,111</u>	<u>90,111</u>	<u>90,111</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	15,600	17,540	17,456	(84)
General Sales and Use Taxes	46,000	56,100	56,022	(78)
Fee-In-Lieu	<u>5,575</u>	<u>5,650</u>	<u>5,632</u>	<u>(18)</u>
Total Taxes	<u>67,175</u>	<u>79,290</u>	<u>79,110</u>	<u>(180)</u>
Licenses and Permits:				
Business Licenses	450	450	400	(50)
Animal Licenses	<u>2,300</u>	<u>2,300</u>	<u>2,170</u>	<u>(130)</u>
Total Licenses and Permits	<u>2,750</u>	<u>2,750</u>	<u>2,570</u>	<u>(180)</u>
Intergovernmental Revenue:				
Class C Road	32,000	32,000	33,437	1,437
State Liquor Allotment	<u>50</u>	<u>250</u>	<u>232</u>	<u>(18)</u>
Total Intergovernmental Revenue	<u>32,050</u>	<u>32,250</u>	<u>33,669</u>	<u>1,419</u>
Charges for Services:				
Cemetery	1,600	1,600	300	(1,300)
Solid Waste	15,000	15,000	14,061	(939)
Refuse Collection	<u>18,500</u>	<u>21,700</u>	<u>21,608</u>	<u>(92)</u>
Total Charges for Services	<u>35,100</u>	<u>38,300</u>	<u>35,969</u>	<u>(2,331)</u>
Other Revenue:				
Interest	2,700	4,850	4,821	(29)
Rents	2,500	2,850	2,338	(512)
Oil Lease Revenue	-	25,550	25,518	(32)
Miscellaneous	<u>450</u>	<u>900</u>	<u>394</u>	<u>(506)</u>
Total Miscellaneous Revenue	<u>5,650</u>	<u>34,150</u>	<u>33,071</u>	<u>(1,079)</u>
Amounts Available for Appropriation	<u>232,836</u>	<u>276,851</u>	<u>274,500</u>	<u>(2,351)</u>

**ANNABELLA TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government:				
Administration	23,850	32,100	31,069	1,031
Elections	1,000	1,000	761	239
Professional Services	8,075	8,075	6,170	1,905
General Government Buildings	7,350	4,100	4,033	67
Total General Government	<u>40,275</u>	<u>45,275</u>	<u>42,033</u>	<u>3,242</u>
Public Health:				
Refuse	21,400	21,400	21,187	213
Sanitation	12,100	16,000	15,904	96
Total Public Health	<u>33,500</u>	<u>37,400</u>	<u>37,091</u>	<u>309</u>
Highway and Public Improvements:				
Repairs and Maintenance	54,300	56,400	36,424	19,976
Culture and Recreation:				
Parks	7,700	15,485	15,323	162
Cemetery	6,950	7,180	6,402	778
Total Public Health	<u>14,650</u>	<u>22,665</u>	<u>21,725</u>	<u>940</u>
Capital Outlay	-	25,000	24,884	116
Total Charges to Appropriations	<u>142,725</u>	<u>186,740</u>	<u>162,157</u>	<u>24,583</u>
Budgetary Fund Balance - June 30, 2006	<u>90,111</u>	<u>90,111</u>	<u>112,343</u>	<u>22,232</u>

**ANNABELLA TOWN
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	274,500
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(90,111)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>184,389</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	162,157
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>162,157</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Annabella Town
Annabella, Utah 84711

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Annabella Town as and for the year ended June 30, 2006, which collectively comprise Annabella Town's basic financial statements and have issued our report thereon dated August 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Annabella Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Annabella Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Annabella Town in a separate letter dated August 25, 2006.

Honorable Mayor and Town Council
Annabella Town
Page -2-

This report is intended solely for the information and use of management, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2006
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Annabella Town
Annabella, Utah 84711

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Annabella Town, for the year ended June 30, 2006, and have issued our report thereon dated August 25, 2006. As part of our audit, we have audited Annabella Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of Annabella Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

Honorable Mayor and Town Council
Annabella Town
Page -2-

In our opinion, Annabella Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 25, 2006
Richfield, Utah

**ANNABELLA TOWN
MANAGEMENT LETTER
JUNE 30, 2006**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

Honorable Mayor and Town Council
Annabella Town
Annabella, Utah 84711

During our audit of the funds of Annabella Town for the fiscal year ended June 30, 2006, we noted a certain area needing corrective action in order for the Town to be in compliance with state laws and regulations. This item is discussed below for your consideration.

COMPLIANCE:

Purchasing Policy

Municipalities are required to adopt purchasing policies and procedures and comply with these policies and procedures when procuring supplies, services and construction.

Finding:

During our test of State legal compliance we noted that Annabella Town's present purchasing policies do not contain all of the policies required.

Recommendation:


We recommend that the Town adopt formal purchasing policies and procedures that contain the provisions for purchases of supplies, services and construction required by the State.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

We would like to take this opportunity to thank Annabella Town's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS
Certified Public Accountants

August 25, 2006
Richfield, Utah